

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
17th CONGRESS
Third Regular Session
House Bill No. **8190**



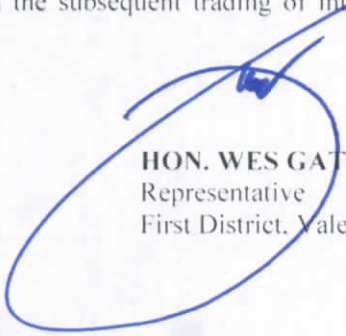
Introduced by **Representative Wes Gatchalian**

EXPLANATORY NOTE

This is a bill strengthening and modernizing Act No. 2137 or the Warehouse Receipts Law of 1912, as amended. The old law prescribed a relatively simple way by which farmers and other workers from the agricultural sector can obtain credit by storing their goods in a warehouse and trading or encumbering the warehouse receipt. It also (1) prescribed the rights and duties of a warehouseman, (2) regulated the relationship between the warehouseman and the depositor of goods or the holder of a warehouse receipt for the goods, (3) made the title to, and right of possession over, the property stored in a warehouse more easily convertible, and (4) protected those who, in good faith and for value, acquired warehouse receipts by negotiation.

Enacted over a century ago, the Warehouse Receipts Law of 1912 has failed to take advantage of modern technological advances that could be used to establish a system that is more secure, transparent, reliable and promotes ease of doing business. This Act proposes to establish a central electronic Registry for all Warehouse Receipts, to be made readily available online, which shall be managed by a Warehousing Accreditation Council. A party will simply deposit his goods and products in the Warehouse – assured that his goods shall be taken care of – in exchange for a Warehouse Receipt which s/he can easily trade, barter or sell in order to obtain the necessary credit. With the use of a reliable and secure central electronic Registry, banks and other financial institutions will not be reluctant to accept these Warehouse Receipts in exchange for loans as they can easily check the veracity of the Warehouse Receipts, as well as the presence and quality of the corresponding goods and products in the Warehouse.

The proposed Philippine Warehouse Receipts Act of 2018 will enable the agricultural sector to “convert” goods and products into credit in a faster and simpler way, promote economic activity by increasing access, particularly for entities engaged in agricultural businesses such as farming, to least cost credit by establishing a simplified, unified, and modern framework for the storage of goods in warehouses and the subsequent trading of interests therein. Its immediate approval is earnestly sought.


HON. WES GATCHALIAN
Representative
First District, Valenzuela City

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AN ACT
STRENGTHENING AND MODERNIZING THE WAREHOUSE RECEIPTS LAW OF
THE PHILIPPINES IN ORDER TO PROVIDE A LEGAL FRAMEWORK IN THE
PHILIPPINES THAT SHALL FACILITATE TRADE, COMMERCE, AND OTHER
RELATED PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

CHAPTER 1 – GENERAL PROVISIONS

SECTION 1. Title. – This Act shall be known as the “Philippine Warehouse Receipts Act of 2018.” (n)

SEC. 2. Declaration of Policy. – It is the policy of the State to promote economic activity by increasing access, particularly for entities engaged in agricultural businesses such as farming, to least cost credit by establishing a simplified, unified, and modern framework for the storage of goods in warehouses and the subsequent trading of interests therein.

SEC. 3. Definition of Terms. – As used in this Act, the following terms shall mean:

- (a) Buyer in Good Faith – a person that buys goods in good faith without personal knowledge of any defect in the title of the seller. (n)
- (b) Default – the failure or refusal of a debtor to pay in accordance with, or otherwise perform an obligation under, a warehouse receipt.
- (c) Deposit – the act of transferring actual possession of goods to a warehouseman.
- (d) Fungible Goods – goods of which any unit is, from its nature by mercantile custom, treated as the equivalent of any other unit.
- (e) Goods – chattels or merchandise in storage or which has been or is about to be stored except those that are meant for direct import or export. Goods, as defined, shall not include any living objects.
- (f) Holder – one who has both actual possession of a warehouse receipt and a right of property therein. (n)
- (g) Issuer – in the case of a release order, the holder or his agent who issued the release order. An agent or employee of a holder may be considered an issuer provided he issued the release order with real or apparent authority, regardless if the goods were not actually released or wrongly described, or if he acted in violation of the holder’s instructions. (n)
- (h) Notice – a statement of information that is registered in the Registry relating to goods stored in a warehouse that are subject of a warehouse receipt.
- (i) Person – includes both natural and juridical persons. (n)
- (j) Person entitled under the document – the valid holder of the warehouse receipt, or the person to whom release of the goods is proper. (n)
- (k) Purchase – a voluntary transaction where one party obligates himself to transfer ownership over the warehouse receipt and the goods they cover in exchange for the other party paying a price certain in money or its equivalent. (n)

- (l) Receipt – a warehouse receipt. (n)
- (m) Record – information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form. (n)
- (n) Registry – the electronic Warehouse Receipts Registry. (n)
- (o) Release – means voluntary transfer of the warehouseman of actual possession of goods deposited in a warehouse to a person entitled under a warehouse receipt.
- (p) Release Order – means a record that contains an order directed to a warehouseman to release the goods to a specified person. (n)
- (q) Sign – the intentional adoption or ratification of a record through a tangible or electronic symbol associated with the party making the sign. (n)
- (r) Warehouse – a place for storing goods for profit within the territory of The Philippines. (n)
- (s) Warehouse receipt – a receipt, whether electronic or otherwise, issued by a warehouseman, evidencing title over goods stored at a warehouse. (n)
- (t) Warehouseman – a person lawfully engaged in the business of storing goods for profit. (n)

CHAPTER 2 – WAREHOUSE RECEIPTS

SEC. 4. *Creation of Uniform Registry System for Electronic Warehouse Receipts.* – The Securities and Exchange Commission (SEC) is hereby tasked with creating an online and uniform Registry where all electronic Warehouse Receipts can be kept and accessed, as well as rules and regulations pertaining specifically to registration procedures and procedures on how to update or amend electronic Warehouse Receipts. The SEC is likewise authorized to engage the services of third parties in creating and maintaining the Registry.

SEC. 5. *Local Sub-Registry.* – In addition to the Registry created and maintained by the SEC, all warehouses must contain a sub-Registry specifically for goods contained in them. Failure of a warehouse to keep a sub-Registry, as well as any fraud committed thereon, shall be grounds for the revocation of a warehouse's license to operate.

SEC. 6. *Creation of Warehouse Receipts.* – Only a duly registered and accredited Warehouseman operating a duly registered and accredited Warehouse may validly create an entry in the Registry for which an electronic Warehouse Receipt shall be issued.

SEC. 7. *Nature of Warehouse Receipts.* – All Warehouse Receipts, regardless of what is stated upon their face, are negotiable at the option of the holder. (n)

SEC. 8. *Original Warehouse Receipts.* – The electronic copy of a Warehouse Receipt shall be considered as the Original. Any physical copy of the electronic Warehouse Receipt that is a Certified True Copy of the same shall be valid. However, in case of any discrepancy between the electronic Warehouse Receipt and a Certified True Copy of the same, the electronic Warehouse Receipt shall be controlling.

A Certified True Copy of the electronic Warehouse Receipt is a representation and warranty that such receipt is an accurate copy of an original electronic Warehouse Receipt properly registered and un-canceled at the date of the issue of the copy.

SEC. 9. *Issuance of Certified True Copies of electronic Receipts.* – The SEC is hereby authorized to create rules and regulations for the orderly and expedient issuance of Certified True Copies of electronic Receipts.

SEC. 10. *Transactions involving Physical Copies of Warehouse Receipts.* – All transactions involving Certified True Copies of Warehouse Receipts are valid provided they comply with existing Philippine Laws regarding the form and substance of the mode of transfer. However, the transferee is charged with the duty to have the electronic Warehouse Receipt amended to reflect

his interests therein. In case there are several contesting parties, the buyer in good faith who had the electronic Warehouse Receipt amended in his favor first shall be the valid owner of the same.

SEC. 11. Notification Requirement. – Whenever an amendment to the electronic Warehouse Receipt pursuant to a valid transaction is sought by a party, whether he be the transferee or transferor, the other party to the transaction must be notified of the impending amendment. Such notified party shall be given three (3) working days from receipt of notification to contest the amendment, otherwise it shall be ministerial on the part of the Warehouseman to effect such amendment to the Registry. (n)

SEC. 12. Required Contents of a Warehouse Receipt. – Warehouse Receipts must contain the following:

- (a) A description of the goods or packages containing them;
- (b) The date and time when the goods or packages were deposited with the Warehouseman;
- (c) The location of the Warehouse where the goods are stored;
- (d) The date and time when the Receipt was issued;
- (e) The consecutive number of the Receipt;
- (f) The rate of storage charges;
- (g) The signature of the Warehouseman which may be made by his authorized agent;
- (h) If the receipt is issued for goods of which the warehouseman is owner, either solely or jointly or in common with others, the fact of such ownership;
- (i) A statement of the amount of advances made and of liabilities incurred for which the warehouseman claims a lien. If the precise amount of such advances made or of such liabilities incurred is, at the time of the issue of, unknown to the warehouseman or to his agent who issues it, a statement of the fact that advances have been made or liabilities incurred and the purpose thereof is sufficient; and
- (j) A statement of any interests on the Warehouse Receipt or goods subject thereof, as well as the dates when such interests were registered.

SEC. 13. Required Contents of Certified True Copies of Warehouse Receipts. – All Certified True Copies of Warehouse Receipts must contain all the required contents of an Original Warehouse Receipt as well as:

- (a) A marking or statement that the copy is a mere copy and that in case of any discrepancy, the original shall be controlling; and
- (b) The date and time when the copy was issued.

SEC. 14. Arbitration Clause. – If a holder so desires, and with the express conformity of the Warehouseman, he may cause to be written into the electronic Warehouse Receipt a clause which states that the civil aspect of any liability arising from the Warehouse Receipt shall be subject to Arbitration. In no instance shall an Arbitration clause found in a Warehouse Receipt bind holders of the Receipt prior to its inclusion.

CHAPTER 3 – WAREHOUSING ACCREDITATION COUNCIL

SEC. 15. Establishment of the Warehousing Accreditation Council. – There is hereby established an accrediting body for Warehousemen and Warehouses to be known as the Warehousing Accreditation Council, herein referred to as the “Council”. The Council shall be composed of four (4) permanent members and three (3) members who are experts on Warehousing.

The permanent members of the Council shall be composed of the following:

- (a) The Chairman of the SEC or designated representative as the Chairperson of the Council;
- (b) The Secretary of the Department of Trade and Industry (DTI) or designated representative;
- (c) The Secretary of the Department of Finance (DOF) or designated representative; and

(d) The Secretary of the Department of Agriculture (DA) or designated representative.

The three (3) members who are Warehousing experts shall be chosen by at least majority of the permanent members of the Council from a list of nominees prepared by the SEC. They shall serve for a term of one (1) year and shall not be disqualified from being re-chosen by the permanent members of the Council.

Once the full membership of the Council is obtained, all members of the Council are entitled to one (1) vote each in the conduct of its business.

The Council shall be assisted by a secretariat to be lodged in the SEC, which shall coordinate the activities involved in the accreditation process. (n)

SEC. 16. *Functions and Responsibilities of the Warehousing Accreditation Council.* – As the accrediting entity, the Council shall have the following functions and responsibilities:

(a) Institute and operationalize a system of accreditation for Warehousemen: Provided, That the criteria for accreditation shall include sound and measurable standards relating to the ability and capacity to handle the storage of goods;

(b) Institute and operationalize a system of accreditation for Warehouses: Provided, That the criteria for accreditation shall include sound and measurable standards relating to sanitation, storage, and safety of goods stored in Warehouses;

(c) Issue certificate of accreditation to qualified Warehousemen and Warehouses upon determination that the criteria set for this purpose have been fully satisfied: Provided, That the certificate of accreditation shall be valid only for such period as may be prescribed under the implementing rules and regulations of this Act;

(d) Monitor the performance of Warehousemen and Warehouses to ensure continuing compliance with the provisions of this Act and its implementing rules and regulations;

(e) Place under probation, suspend or revoke any certificate of accreditation upon due determination that a Warehouseman or Warehouse no longer meets the criteria for accreditation;

(f) Require regular submission of reports by Warehousemen and Warehouses;

(g) Collect reasonable accreditation and monitoring fees from Warehousemen and Warehouses which shall be used for the accrediting entity's operational requirements;

(h) Submit an annual report to the President of the Philippines and the concerned committees of both Houses of Congress;

(i) License inspectors, graders, and weighers who shall assist in ensuring the good quality of warehouses; and

(i) Perform such other functions as may be necessary to accomplish the purposes and objectives of this Act in relation to Warehousemen and Warehouses.

SEC. 17. *Warehousing Experts.* – The Council is authorized to create rules and regulations in order to determine which persons would qualify as Warehousing Experts. The Warehousing Experts must be persons actually knowledgeable on the running and maintenance of Warehouses in accordance with globally accepted best practices in Warehousing. (n)

CHAPTER 4 – WAREHOUSEMEN

SEC. 18. *Registration of Warehouseman.* – All warehousemen are required to register and obtain accreditation with the Council. The Council is hereby ordered and authorized to create rules and regulations to facilitate the registration of Warehousemen. All Warehousemen who are not registered and accredited with the Council are prohibited from creating warehouse receipts. (n)

SEC 19. *Screening Process for Warehousemen.* – To ensure the quality of the Warehousemen, the Council is hereby authorized to create a screening process for Warehousemen which may include the adoption of written examinations. The Council may coordinate with other governmental bodies in order to create a viable screening process for Warehousemen. (n)

SEC. 20. *Warehouseman's Bond.* – Prior to operation, a Warehouseman must post a bond to answer for any liabilities he may have during the effectivity of his license. The Council is hereby ordered and authorized to come up with rules and regulations concerning the Warehouseman's bond.

SEC. 21. *Duty of Warehousemen to Create Electronic Warehouse Receipts.* – When goods are deposited with the Warehouseman, the Warehouseman has the duty to create an electronic Warehouse Receipt in the Registry to reflect the deposit of such goods. Likewise, a Warehouseman has the duty to cause the amendment of the electronic Warehouse Receipt when he is informed by a valid holder of any change in the details found on the electronic Warehouse Receipt, including but not limited to changes in interest.

SEC. 22. *Liability for Omission of Required Contents.* – A warehouseman shall be liable to any person for all damages caused by his omission from a Warehouse Receipt of any details required to be placed on a Warehouse Receipt under this Act.

SEC. 23. *Permissible Insertions.* – A warehouseman may insert in a receipt issued by him any other terms and conditions provided that such terms and conditions shall not:

- (a) Be contrary to the provisions of this Act; and
- (b) In any wise impair his obligation to exercise that degree of care in the safe-keeping of the goods entrusted to him which a reasonably careful man would exercise in regard to similar goods of his own.

SEC. 24. *Obligation of Warehousemen to Release Goods.* – A Warehouseman, in the absence of some lawful excuse provided by this Act, is bound to release the goods upon a written demand from the party registered under the electronic Warehouse Receipt provided that such demand is accompanied with:

- (a) An attached Certified True Copy of the electronic Warehouse Receipt clearly showing that the demanding party is the registered owner of the electronic Receipt;
- (b) An offer to satisfy the warehouseman's lien coupled with the subsequent satisfaction thereof; and
- (c) An offer to sign, when the goods are released, an acknowledgment that the party causing the release is lawfully entitled to the goods, and that such goods have been released to them.

When the Warehouseman receives a valid written demand, it is ministerial upon him to release the goods absent the existence of a lawful excuse for such refusal as found in this Act. Failing to establish such lawful excuse, the Warehouseman shall be liable for all damages stemming from his failure or refusal to release the goods.

SEC. 25. *Valid Excuses for Non-Release of Goods.* – A Warehouseman can validly refuse to release the goods when:

- (a) The party asking for the release of goods fails to deliver a valid written demand as contemplated in this Act;
- (b) There is a Court Order prohibiting him from releasing the goods;
- (c) Despite the offer to satisfy the same, the Warehouseman's lien was not fully satisfied; or
- (d) The demanding party reneges on its offer to sign an acknowledgment that the party causing the release is lawfully entitled to the goods, and that such goods have been released to them.

SEC. 26. Release of Goods to Agent. – A Warehouseman is justified in releasing the goods to an agent of a party entitled to the goods under the electronic Warehouse Receipt provided that such agent had an apparent or real authority from his principal to cause the release of the goods. Where the Warehouseman released the goods to an agent absent any showing of real or apparent authority from the principal, both the Warehouseman and the Agent shall be liable for all damages stemming from the unlawful release.

SEC. 27. Obligation to Cancel Electronic Warehouse Receipt upon Release. – A Warehouseman has the duty to cause the electronic Warehouse Receipt to be marked "cancelled" once he has validly released the goods, regardless if the release was in full or merely partial.

When a Warehouseman fails to have the electronic Warehouse Receipt cancelled after releasing the goods, he shall be liable to anyone who purchases in good faith and for value such receipt, on account of his inability to release the goods to him, whether such purchaser acquired title to the receipt before or after the release of the goods by the Warehouseman.

SEC. 28. Effect of Partial Release of Goods. – If the party causing the partial release of goods wishes to keep the remaining goods stored in the same Warehouse, he shall inform the Warehouseman of his intention and have a new Warehouse Receipt created in his favor over the remaining goods. Otherwise, it is incumbent upon the Warehouseman to remove such goods no longer covered by a valid Warehouse Receipt from his Warehouse. (n)

SEC. 29. Fraudulent Alterations of Receipt. – Any fraudulent alteration made by the Warehouseman on the electronic Warehouse Receipt or any copy thereof shall make him liable for all damages stemming from the unlawful alteration. If the fraudulent alteration was caused by any party other than the Warehouseman, and without the Warehouseman's knowledge that the same was fraudulent, the Warehouseman shall only be liable according to the tenor of Warehouse Receipt prior to its fraudulent alteration.

SEC. 30. Innocent Purchaser of Fraudulently Altered Receipt. – Any purchaser of the receipt for value who had no knowledge that the same had been fraudulently altered by the Warehouseman at the time of purchase shall acquire the same rights against the Warehouseman which such purchaser would have acquired if the receipt had not been altered at the time of purchase.

In the event the fraudulent alteration was caused by any party other than the Warehouseman, and without the Warehouseman's knowledge that the same was fraudulent, both the Warehouseman and the party causing the alteration shall be held liable to the innocent purchaser according to the tenor of the altered Receipt, but the liability of the Warehouseman shall not go beyond what he would have been liable for according to the tenor of Warehouse Receipt prior to its fraudulent alteration.

SEC. 31. Irretrievable Loss of Electronic Receipts. – The SEC is hereby authorized to settle claims and disputes stemming from the irretrievable loss of electronic Warehouse Receipts in the Registry. In such cases, the claimant must adequately show he had a valid and existing electronic Warehouse Receipt in the Registry, and that such electronic Warehouse Receipt was, in fact, lost, destroyed, or corrupted through no fault of his own. The ruling of the SEC shall be final and executory. (n)

SEC. 32. *Liability for Non-Existence or False Description of Goods.* – Warehouseman shall be liable to the holder of a receipt for damages caused by the non-existence of the goods or by the failure of the goods to correspond with the description thereof in the receipt at the time of its issue.

If, however, the goods are described in a receipt merely by marks or labels upon them or upon packages containing them, or by a statement that the goods are said to be goods of a certain kind or that the packages containing the goods are said to contain goods of a certain kind, or by words of like purport on the goods themselves or on their packages or containers, such statements, if true, shall not render liable the Warehouseman issuing the receipt, even if the goods are not of the kind which the marks or labels upon them indicate, or of the kind they were claimed to be by the depositor.

SEC. 33. *Liability for Damage or Loss to Goods.* – A Warehouseman shall be liable for any loss or injury to the goods caused by his failure to exercise such care in regard to them as reasonably careful owner of similar goods would exercise, but he shall not be liable, in the absence of an agreement to the contrary, for any loss or injury to the goods which could not have been avoided by the exercise of such care.

SEC. 34. *General Prohibition on Co-Mingling of Goods.* – Except where expressly allowed by this Act, a Warehouseman shall keep the goods under his care reasonably separated from the goods of other depositors, and from other goods of the same depositor for which a separate receipt has been created, as to permit at all times the identification and redelivery of the goods deposited.

SEC. 35. *When Co-Mingling of Goods Allowed.* – If authorized by agreement or by custom, a Warehouseman may mingle fungible goods with other goods of the same kind and grade. In such case, the various depositors of the mingled goods shall own the entire mass in common and each depositor shall be entitled to such portion thereof as the amount deposited by him bears to the whole.

SEC. 36. *Liability of Warehouseman for Unauthorized Co-Mingling.* – The Warehouseman shall be severally liable to each depositor for the care and redelivery of his share of such mass to the same extent and under the same circumstances as if the goods had been kept separate.

CHAPTER 5 – WAREHOUSES

SEC. 37. *Registration with the Council.* – All Warehouses must be registered with and accredited by the Council. The Council is hereby ordered and authorized to create a system for registering accredited Warehouses which may be accessed by the public. The Council is likewise authorized to create rules and regulations governing the registration of accredited Warehouses. (n)

SEC. 38. *Prohibition of Non-Accredited and Non-Registered Warehouses.* – All Warehouses that are not registered with and accredited by the Council are prohibited from being used by Warehousemen in storing goods covered by Warehouse Receipts. (n)

SEC. 39. *Insurance.* – All Warehouses must be insured in accordance with the value and types of goods kept in them. The Council is hereby empowered to close down any warehouse that stores goods covered by Warehouse Receipts despite not having the necessary insurance until the same becomes compliant.

SEC. 40. *Initiative to Examine Warehouses.* – The Bangko Sentral ng Pilipinas, or any permanent member of the Council, may request the Council to examine the operations of Warehouses for the purpose of determining that the Warehouses are not engaged in unauthorized undertaking or activities which are subject to their respective jurisdictions. In case of a finding by the Council that an accredited Warehouse is engaged in an unauthorized undertaking or activities subject to their said respective regulations, it shall place on probation, suspend or revoke the accreditation of the Warehouse based on such ground, as may be appropriate under the circumstances. (n)

CHAPTER 6 – RIGHTS OF HOLDERS AND CLAIMANTS

SEC. 41. *Rights of Persons to whom a Receipt has been Transferred.* – A person to whom a receipt has been validly transferred acquires thereby:

- (a) Such title to the goods as the person transferring the receipt to him had or had ability to convey to a purchaser in good faith for value;
- (b) The right to have the electronic Warehouse Receipt amended to reflect his ownership over the goods; and
- (c) The direct obligation of the Warehouseman to hold possession of the goods for him according to the terms of the receipt as fully as if the Warehouseman had contracted directly with him.

SEC. 42. *Warranties of a Transferor.* – A person who, for value, transfers a receipt, unless a contrary intention appears, warrants:

- (a) That the receipt is genuine;
- (b) That he has a legal right to transfer it; and
- (c) That he has knowledge of no fact which would impair the validity or worth of the receipt.

SEC. 43. *Transferor not a Guarantor.* – The transferor shall not be liable for any failure on the part of the Warehouseman or previous transferors of the receipt to fulfill their respective obligations.

SEC. 44. *When Transfer not Impaired by Fraud, Mistake or Duress.* – The validity of the transfer of a receipt is not impaired by the fact that such transfer was a breach of duty on the part of the person making the transfer, or by the fact that the owner of the receipt was induced by fraud, mistake, or duress to entrust the possession or custody of the receipt to such person, if the person to whom the receipt was transferred, or a person to whom the receipt was subsequently transferred, paid value therefor, without notice of the breach of duty, or fraud, mistake or duress.

SEC. 45. *Enforcement of Security Interest of Secured Creditor's for Transfers where the Receipt is a Security.* – In any transaction where the Warehouse Receipt or the goods evidenced thereby are treated as security to the transaction, the same shall be governed by the Personal Property Security Act of 2018.

SEC. 46. *Attachment or Levy upon Goods Covered by an Electronic Warehouse Receipt.* – If goods are delivered to a Warehouseman by the owner, or by a person whose act in conveying the title over the goods to a purchaser in good faith for value would bind the owner, and a receipt was created for them, such goods cannot thereafter, while in the possession of the Warehouseman, be attached by garnishment or otherwise, or be levied upon under an execution, unless the receipt be first cancelled. The Warehouseman shall in no case be compelled to deliver up the actual possession of the goods until the receipt is cancelled or he is otherwise ordered by the court.

SEC. 47. *Creditor's Remedies to reach Warehouse Receipts.* – A creditor whose debtor is the registered owner of an electronic Warehouse Receipt shall be entitled to such aid from courts of appropriate jurisdiction, by injunction and otherwise, in attaching such receipt or in satisfying the claim by means thereof as is allowed at law or in equity in these islands in regard to property which cannot readily be attached or levied upon by ordinary legal process.

SEC. 48. *Conflicting Claims over Warehouse Receipts.* – The SEC is hereby empowered to settle any conflicts relating to title and ownership over Warehouse Receipts. The decision of the SEC shall be final and executory. (n)

CHAPTER 7 – WAREHOUSE RECEIPTS ASSURANCE FUND

SEC. 49. *Establishment of Warehouse Receipts Assurance Fund.* – A Warehouse Receipts Assurance Fund is hereby established to cover for losses involving Warehouse Receipts stemming from Registry based failures including but not limited to the irretrievable destruction of the Registry or any entries therein. The SEC shall be in charge of the Warehouse Receipts Assurance Fund and is hereby ordered and authorized to create rules and regulations for the creation, management, and disbursement thereof. The SEC is likewise authorized to seek third party assistance for the creation and maintenance of the Assurance Fund. (n)

SEC. 50. *Contribution to Assurance Fund.* – Upon the issuance or amendment of an electronic Warehouse Receipt, as well as the issuance of a Certified True Copy of the electronic Warehouse Receipt, there shall be paid to the SEC one-fourth of one per cent of the assessed value of the goods covered by the Warehouse Receipt, as contribution to the Assurance Fund. The SEC is hereby ordered to coordinate with the Department of Trade and Industry, as well as other government agents, to come up with a proper and just valuation for any and all goods that may be covered by a Warehouse Receipt.

Nothing in this section shall in any way preclude the court from increasing or decreasing the valuation of the goods should it appear during the hearing that the value stated is either too small or too large. (n)

SEC. 51. *Recovery of Losses from Fund.* – A person who, without negligence on his part, sustains loss or damage, or is deprived of any goods covered by an electronic Warehouse Receipt or any interest therein as a consequence of Registry based failures shall file a claim before the SEC. The SEC is hereby authorized to settle claims and disputes involving a party's right to recover from the Fund. The SEC is likewise ordered and authorized to create rules and regulations regarding the procedure that must be followed by parties seeking to claim against the Fund. Any decision by the SEC involving such matter shall be final and executory. (n)

SEC. 52. *Maximum Recoverable Claim.* – A party may only claim a maximum of five hundred thousand pesos for every electronic Warehouse Receipt. In case the damage suffered by the claimant was caused by fraud, the claimant is not precluded from pursuing a claim for damages against such liable persons for the amount of the goods covered by the electronic Warehouse Receipt less any amounts recovered from the Fund.

SEC. 53. *Losses not Recoverable.* – The Assurance Fund shall not be liable for any loss, damage or deprivation that is not caused or occasioned by a Registry based failure. Any losses stemming from Sub-Registry based failures are not recoverable from the Fund. (n)

SEC. 54. *Release of Funds.* – Any money obtained by the SEC in relation to the Assurance Fund shall be placed in a special fund and shall be treated as part of the savings of the SEC which shall be deposited with the National Treasury. Once the SEC makes a request from the National Treasury or the Department of Budget and Management for the release of such funds in relation to a lawful purpose primarily related to the Assurance Fund, the release of the funds is immediate and ministerial.

CHAPTER 8 – WAREHOUSEMAN'S LIEN

SEC. 55. *Claims Included in the Warehouseman's Lien.* – Subject to the provisions of this Act, a Warehouseman shall have a lien on goods deposited, or on the proceeds thereof, in his hands, for all lawful charges for storage and preservation of the goods; also for all lawful claims for money advanced, interest, insurance, transportation, labor, weighing, cooping and other charges and expenses in relation to such goods, also for all reasonable charges and expenses for notice, and

advertisements of sale, and for sale of the goods where default had been made in satisfying the warehouseman's lien.

SEC. 56. *Against What Property the Lien may be Enforced.* – A Warehouseman's lien may be enforced against any and all goods stored in his Warehouse and covered by a valid Warehouse Receipt.

SEC. 57. *Receipt to State Charges for which the Lien is Claimed.* – The Warehouseman shall have no lien on a Receipt except for charges for storage of goods subsequent to the date of the Receipt unless the Receipt expressly enumerated other charges for which a lien is claimed. In such case, there shall be a lien for the charges enumerated so far as they are consistent with this Act provided the amount or rate of the charges so enumerated is stated in the Receipt.

SEC. 58. *Warehouseman Need not Release until Lien is Satisfied.* – A Warehouseman having a lien valid against the person demanding the goods may refuse to release the goods to him until the lien is satisfied.

A Warehouseman who voluntarily releases the goods despite his lien not being fully satisfied waives his lien over the same. (n)

SEC. 59. *Warehouseman's Lien does not Preclude other Remedies.* – Whether a Warehouseman has or has not a lien upon the goods, he is entitled to all remedies allowed by law to a creditor against a debtor for the collection from the depositor of all charges and advances which the depositor has expressly or impliedly contracted with the Warehouseman to pay.

SEC. 60. *Notice of Warehouseman's Lien.* – Following a valid offer to satisfy the Warehouseman's lien, he must provide the following notices to the person who validly offered to satisfy his lien:

- (a) An itemized statement of the Warehouseman's claim, showing the sum due at the time of the notice and the date or dates when it becomes due;
- (b) A brief description of the goods against which the lien exists;
- (c) A demand that the amount of the claim shall be paid on or before a day mentioned, not less than ten days from the delivery of the notice if it is personally delivered, or from the time when the notice shall reach its destination, according to the due course of post, if the notice is sent by mail; and
- (d) A statement that unless the claim is paid within the time specified, the goods will be advertised for sale and sold by auction at a specified time and place.

SEC. 61. *Procedure for Auction Sale to Satisfy Warehouseman's Lien.* – In relation to the aforementioned provision, if the Warehouseman's lien is not satisfied within the time specified, he may satisfy his lien over the goods by selling the same through auction. The auction sale shall be had in the place where the lien was acquired, or, if such place is manifestly unsuitable for such purpose, in the nearest city or municipality where such a sale is may be suitably conducted.

Prior to the auction sale, the Warehouseman must advertise the sale, describing the goods to be sold, and stating the name of the owner or person on whose account the goods are held, and the time and place of the sale. Such advertisement shall be published once a week for two consecutive weeks in a newspaper published in the place where such sale is to be held. The sale shall not be held less than fifteen days from the time of the first publication. If there is no newspaper published in such place, the advertisement shall be posted at least ten days before such sale in not less than six conspicuous places therein.

From the proceeds of such sale, the Warehouseman shall satisfy his lien including the reasonable charges of notice, advertisement and sale. The balance, if any, of such proceeds shall be held by the Warehouseman and delivered on demand to the person to whom he would have been bound to release or justified in releasing goods.

At any time before the goods are so sold, the registered owner may pay the Warehouseman the amount necessary to satisfy his lien and to pay the reasonable expenses and liabilities incurred in serving notices and advertising and preparing for the sale up to the time of such payment. Once the registered owner has satisfied the Warehouseman's lien, he must release the goods absent any lawful cause as provided under this Act.

SEC. 62. *Perishable and Hazardous Goods.* – If goods are of a perishable nature, or by keeping will deteriorate greatly in value, or, by their order, leakage, inflammability, or explosive nature, will be liable to injure other property, the Warehouseman may give such notice to the owner or to the person in whose names the goods are stored, as is reasonable and possible under the circumstances, to satisfy the lien upon such goods and to remove them from the warehouse and in the event of the failure of such person to satisfy the lien and to receive the goods within the time so specified, the Warehouseman may sell the goods at public or private sale without advertising. If the Warehouseman, after a reasonable effort, is unable to sell such goods, he may dispose of them in any lawful manner and shall incur no liability by reason thereof.

The proceeds of any sale made under the terms of this section shall be disposed of in the same way as the proceeds of sales made under the terms of the preceding section.

SEC. 63. *Other Methods of Lien Enforcement.* – The remedy for enforcing a lien herein provided does not preclude any other remedies allowed by law for the enforcement of a lien against personal property nor bar the right to recover so much of the Warehouseman's claim as shall not be paid by the proceeds of the sale of the property.

SEC. 64. *Effect of Sale.* – After goods have been lawfully sold to satisfy a Warehouseman's lien, or have been lawfully sold or disposed of because of their perishable or hazardous nature, the Warehouseman shall not thereafter be liable for failure to deliver the goods to the registered owner of the goods.

CHAPTER 9 – PENALTIES

SEC. 65. *Creation of Receipt for Goods not Received.* – A Warehouseman, or an officer, agent, or servant of a Warehouseman who creates or aids in creating a Receipt knowing that the goods for which such Receipt is created have not been actually received by such Warehouseman, or are not under his actual control at the time of creating such receipt, shall be guilty of a crime, and, upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 66. *Creation of Receipt Containing False Statement.* – A Warehouseman, or any officer, agent or servant of a warehouseman who fraudulently creates or aids in fraudulently creating a Receipt for goods knowing that it contains any false statement, shall be guilty of a crime, and upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 67. *Creation of Fraudulent Duplicate Receipt.* – A Warehouseman, or any officer, agent, or servant of a Warehouseman who creates or aids in creating a second electronic Warehouse Receipt for goods knowing that there is an existing prior electronic Warehouse Receipt for the same goods or any part of them, except in the case of a Court order following an irretrievably lost receipt as provided for in this Act, shall be guilty of a crime, and upon conviction, shall be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 68. *Unlawful Release of Goods Covered by Warehouse Receipt.* – A Warehouseman, or any officer, agent, or servant of a Warehouseman, who releases without any legal basis any goods

covered by an electronic Warehouse Receipt shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 69. *Fraudulent Deposit of Goods.* – Any person who, with fraud, deposits goods to which he has no title, or upon which there is a lien or mortgage, and who obtains an electronic Warehouse Receipt for the same, shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both.

Any Warehouseman or his agent who knowingly facilitates the creation of an electronic Warehouse Receipt for such goods shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. If the Warehouseman himself is liable, his license shall likewise be revoked.

SEC. 70. *Issuance of Warehouse Receipts by Unregistered Warehouseman.* – Any Warehouseman who issues a Warehouse Receipt despite not being registered with the Securities and Exchange Commission shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. (n)

SEC. 71. *Willful Operation of an Unregistered or Un-Accredited Warehouse.* – Any Warehouseman who issues a Warehouse Receipt for goods stored in a Warehouse that is not registered with the Securities and Exchange Commission, or not accredited by the Warehouse Accreditation Council, or whose registration or accreditation has been revoked or suspended under the provisions of this Act shall be guilty of a crime, and upon conviction, be punished by imprisonment of ten years, or a fine equal to triple the value of the goods involved, or both. (n)

CHAPTER 10 – TRANSITORY PROVISIONS

SEC. 72. *Role of the Securities and Exchange Commission and Coordination with Other Agencies.* – The SEC shall be the primary regulatory body in charge of all matters related to Warehouse Receipts. While the SEC may consult with other regulatory bodies, as well as other organizations representative of a particular sector, the SEC shall, at all times, be the lead agency in ensuring the successful implementation of this Act except as otherwise provided in this Act. (n)

SEC. 73. *Inter-Connected Registry Information.* – Where feasible, the SEC is ordered and authorized to engage in concerted activity with other government agencies for the linking of the Registry provided under this Act with other Registries in order to be able to come up with an inter-connected Registry. (n)

SEC. 74. *Public Information.* – All entries in the Registry of electronic Warehouse Receipts shall be available to the public. Likewise, the list of licensed Warehousemen and Warehouses, as well as the list of Warehouseman and Warehouses whose licenses have been revoked, shall be available to the public. The SEC and the Council are both ordered and authorized to create rules and regulations to facilitate the orderly and expedient access to such information by the public, in accordance with existing standards under Philippine law. (n)

SEC. 75. *Dispute Resolution.* – Except in cases specifically placed under the jurisdiction of the SEC under this Act, as well as cases where the electronic Warehouse Receipt includes a valid Arbitration Clause, all actions arising from this Act shall fall under the jurisdiction of the Regional Trial Courts. (n)

SEC. 76. *Transition Period.* – All existing Warehousemen and Warehouses must be compliant with the provisions of this Act relating to registration and licensing within three years from the effectivity of this Act. All physical Warehouse Receipts must be converted to electronic

Warehouse Receipts within three years of the opening of the system of Registry for Warehouse Receipts to be made by the SEC.

SEC. 77. *Appropriations.* – The amount necessary to carry out the initial implementation of this Act shall be included in the General Appropriations Act.

SEC. 78. *Implementing Rules and Regulations.* – Within ninety (90) days after the effectivity of this Act, the SEC, in coordination with the DTI, the DOF, the DA, and other relevant organizations, shall promulgate rules and regulations for the implementation of this Act and/or for the public interest or for the protection of Warehousemen and Warehouses accredited or regulated pursuant to the authority granted under this Act. (n)

SEC. 79. *Repeals.* – All acts and laws and parts thereof inconsistent with this Act are hereby repealed.

SEC. 80. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette of the Philippines or in at least two (2) newspapers of general circulation.

Approved,